



The Voice of Small Business®

CONNECTICUT

**TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS
BY
ANDY MARKOWSKI, CONNECTICUT STATE DIRECTOR
OPPOSING
SB-652, AA CONCERNING SMALL BUSINESS RETIREMENT PLANS
BEFORE THE COMMERCE COMMITTEE
MARCH 11, 2008**

The National Federation of Independent Business (NFIB) opposes SB-652, An Act Concerning Small Business Retirement Plans, because it is unnecessary, untested, and gives the government significant control over a private sector market.

A non-profit, non-partisan organization, NFIB is Connecticut's and the nation's leading small-business advocacy association. In Connecticut, NFIB represents thousands of small- and independent-business owners and over 25, 000 of their workers involved in all types of industry. The average NFIB member has five employees and gross annual revenue of approximately \$350,000. On behalf of those small- and independent-employers in Connecticut, I urge you to oppose SB-652.

Retirement plans rank low on a list of enumerated small-business employer and worker concerns. When asked, many small business employees in Connecticut list health care as their main employment concern, while retirement plan cost and availability ranks significantly below other more pressing concerns. Workers would prefer legislation either reducing health care costs or *creating tax credits and incentives for retirement plans*.

Currently, seventy-five percent of small businesses in Connecticut fail to offer an employee retirement plan, although low-cost plans already exist in the small business industry. This bill does not introduce a retirement scheme that would radically clear the field for all small businesses to be able to afford a quality, low-cost retirement plan. *Small businesses before now have had the opportunity to decide for themselves whether a retirement plan was feasible.* The state's plan, while a laudable concept, does not alleviate the concerns of small businesses and fails to fully redress the potential problems of such a plan.

This bill creates a situation in which the state government becomes a competitor of the private sector. Pooling actions by the government reduce the use of private sector services and could eventually push all small business retirement plan service providers out of business.

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NFIB has long opposed government action that edges out small businesses in favor of streamlined, bulk processing. The clients of this industry are small businesses, and these small businesses are the backbone of this industry – a circle needing less interference and control from the government and more autonomy to small business owners to survive in this competitive marketplace. Otherwise, the strain put on small businesses to establish and fund a retirement plan that remains outside of their financial possibilities places too exacting a burden on small business owners and their workers.

Additionally, federal ERISA laws have not previously been tested by state plans for private sector businesses. ERISA language prohibits, with a few exceptions, any state law or regulation having the force or effect of law that “relates to employee benefit plans.” By declaring the purpose of this bill to allow the Comptroller to establish and administer a retirement plan” for the private sector, Connecticut has failed to adhere to ERISA’s plain language. Therefore, Connecticut will need a definitive answer or advisory opinion in order to eliminate the chance of federal preemption. Depending on the answer at the federal level, employers and employees could potentially be contributing wages and profits for a plan prohibited under ERISA laws.

Many businesses may not survive a drawn-out starting period to see the fruition of their contributions result in secured retirement savings for employees. The costs are still too great for small businesses to pay. It is therefore employers that are best equipped to make a decision about employee retirement plans. NFIB applauds the recognition by the Commerce Committee that retirement plans need to be encouraged and made more accessible to small businesses, self-employed individuals, and non-profit organizations, but SB-652 is not the answer to Connecticut small-business problems.

NFIB appreciates the opportunity to comment on SB-652. If you have any questions, please contact me at the numbers provided. Thank you.